

# FY2018

## REVENUE WORK SESSION

February 22, 2017





# DISCUSSION OUTLINE

## FY2018 REVENUE WORK SESSION



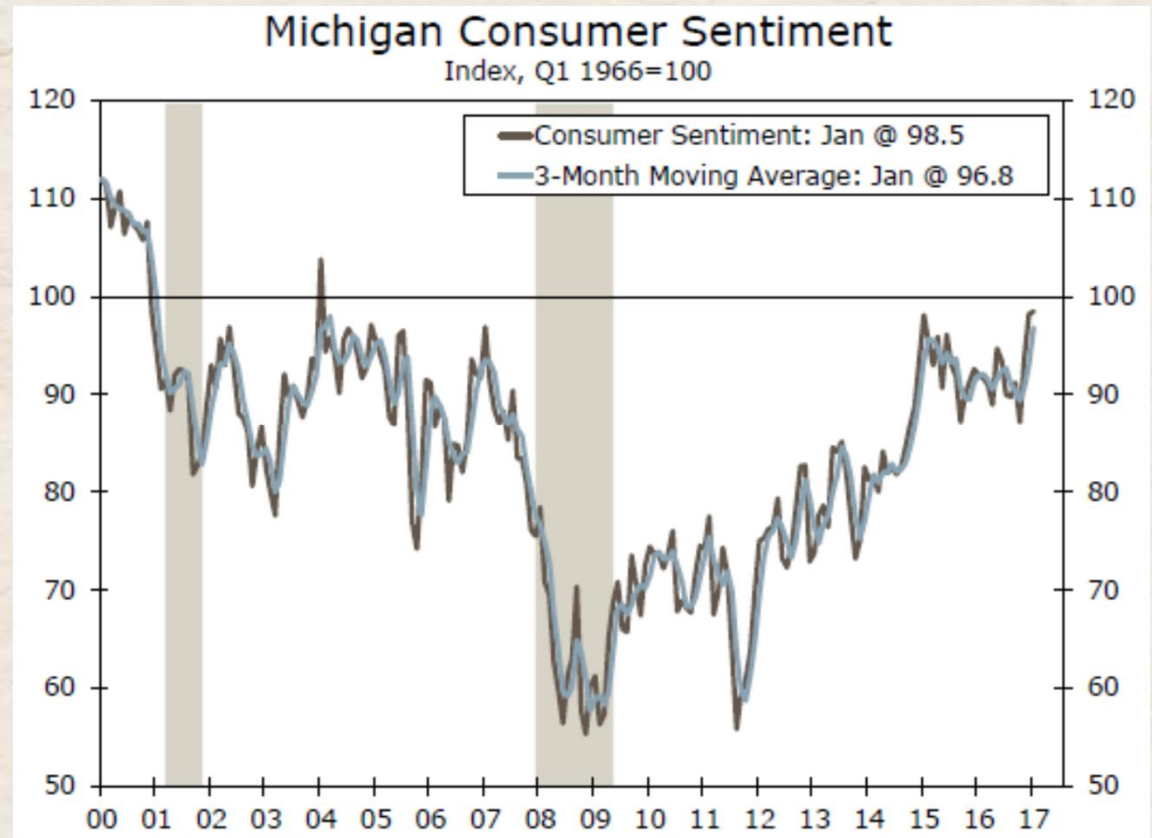
- Update on national conditions
- A focus on local economic indicators
- Revenue breakdown and forecast
- Requested Board actions
- Review of budget calendar

# MORE UPBEAT ECONOMIC EXPECTATIONS

FY2018 REVENUE WORK SESSION

“MEASURES OF  
CONSUMER AND  
BUSINESS  
SENTIMENT HAVE  
IMPROVED OF  
LATE.”

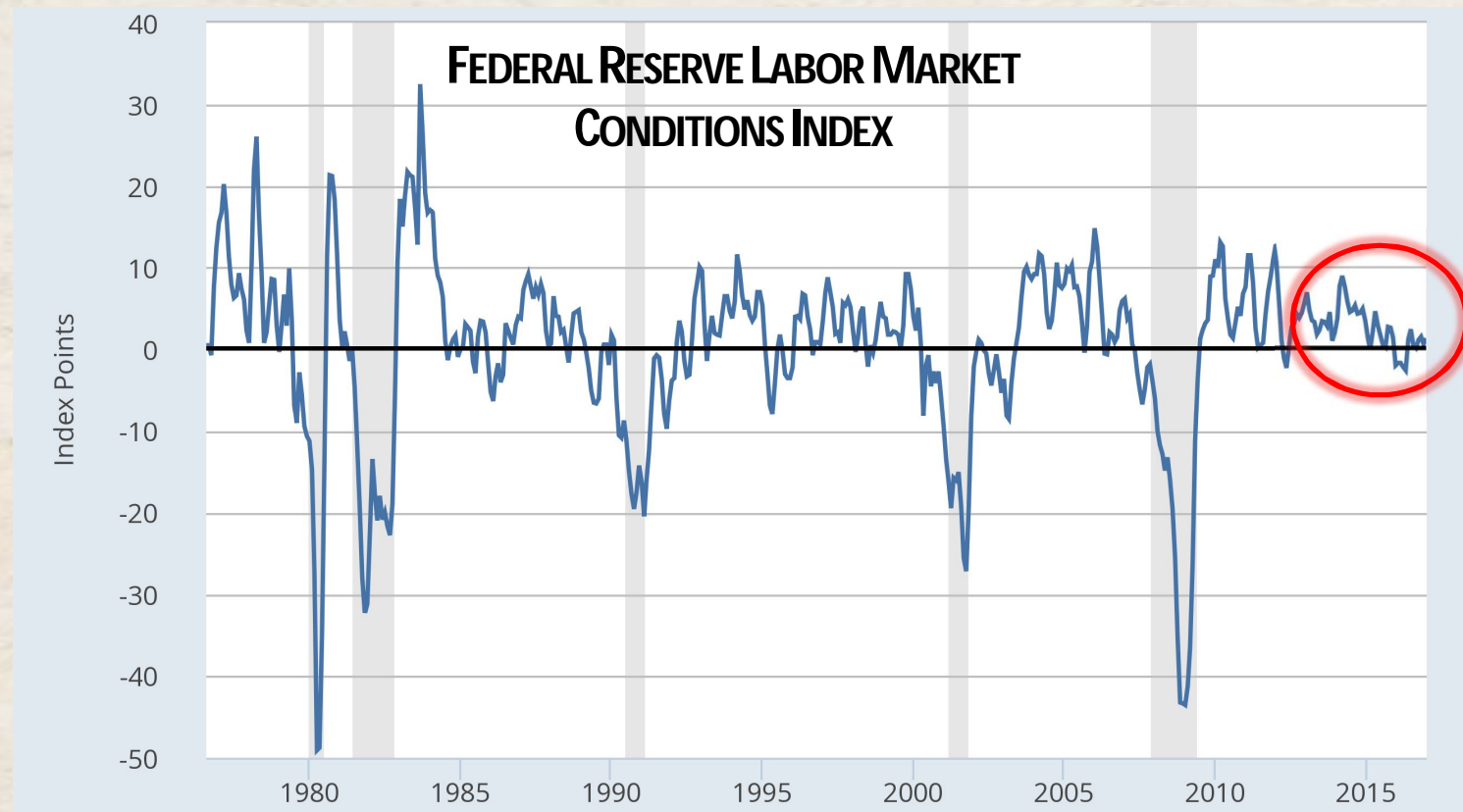
-FOMC STATEMENT FROM FEBRUARY 1, 2017



SOURCE: SURVEY OF CONSUMERS, UNIVERSITY OF MICHIGAN; WELLS FARGO

# ECONOMIC CONDITIONS GENERALLY FIRING...

FY2018 REVENUE WORK SESSION



SOURCE: THE FEDERAL RESERVE BOARD

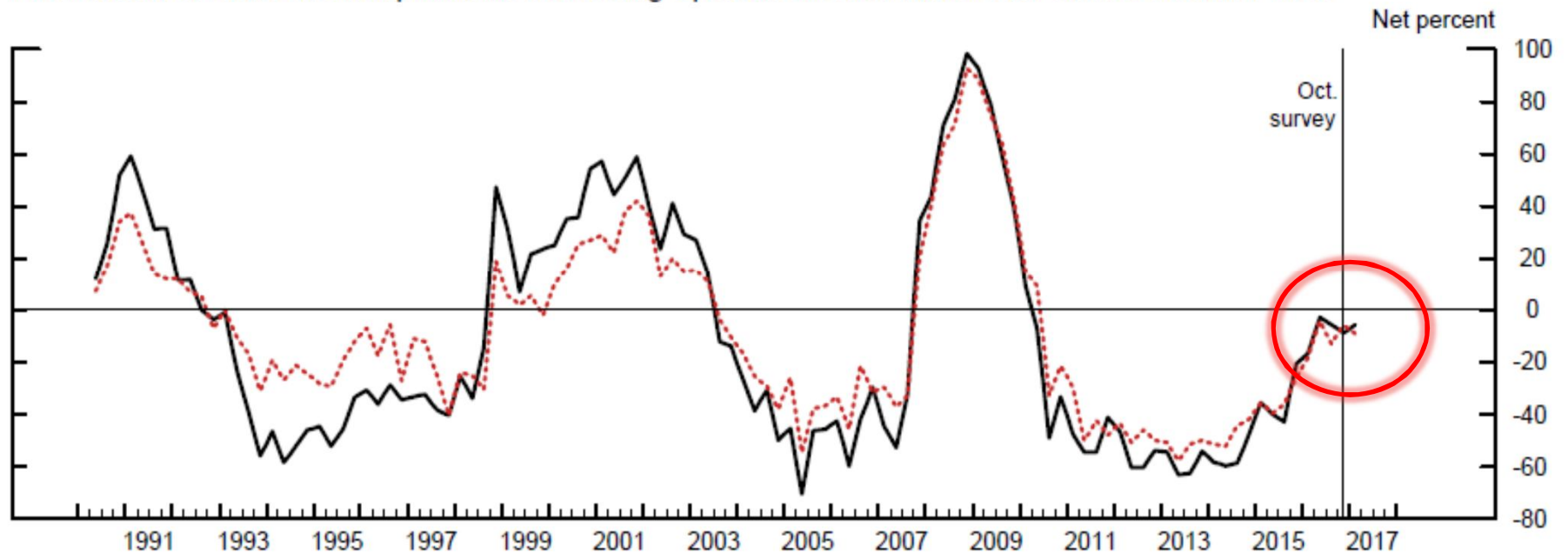


# ECONOMIC CONDITIONS GENERALLY FIRMING...

FY2018 REVENUE WORK SESSION

## SENIOR LOAN OFFICER OPINION SURVEY

Net Percent of Domestic Respondents Increasing Spreads of Loan Rates over Bank's Cost of Funds



SOURCE: THE FEDERAL RESERVE BOARD

# UNDERLYING FUNDAMENTALS REMAIN A CHALLENGE

## FY2018 REVENUE WORK SESSION

- Real, sustained growth continues to be limited by very weak productivity gains
- Weighing on income growth and, in turn, consumer spending
- 2016 average: +0.2%



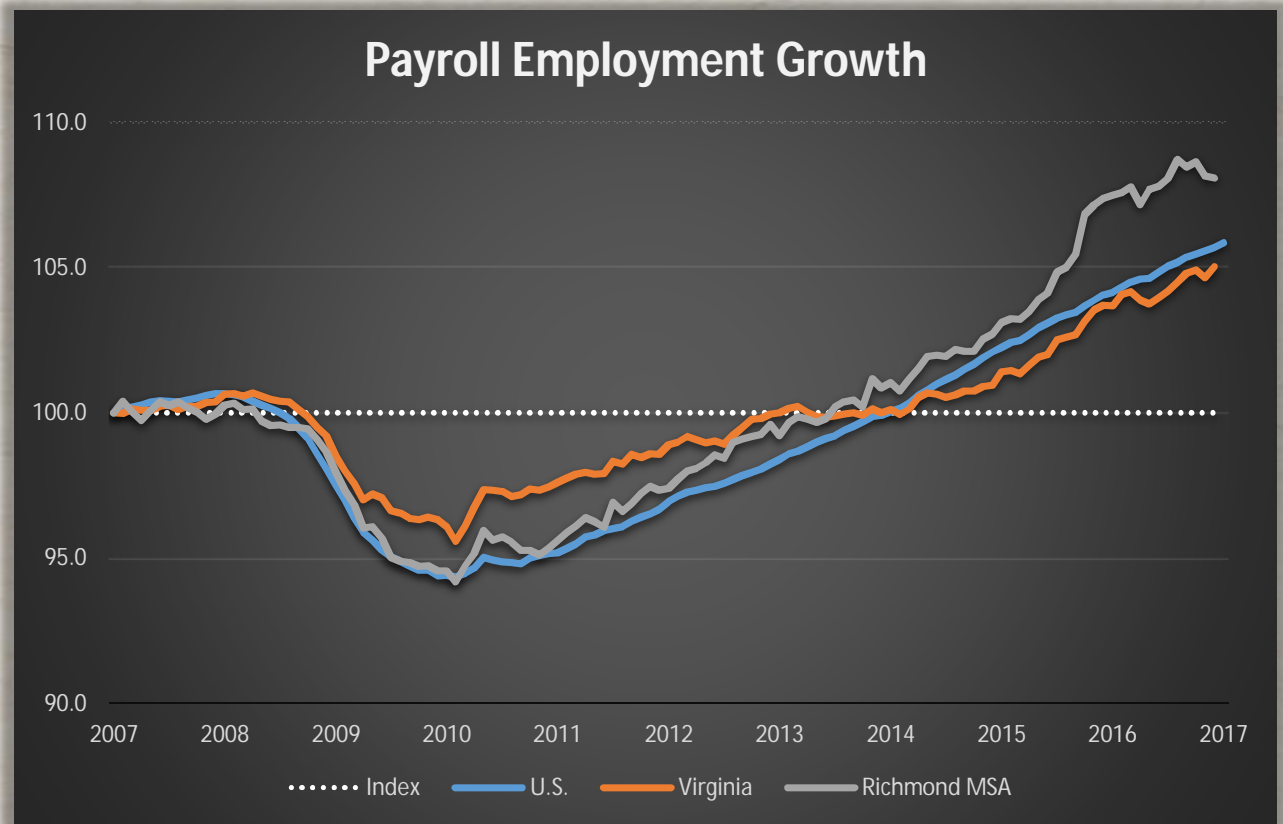
SOURCE: BUREAU OF LABOR STATISTICS



# REGION OUTPERFORMING STATE, U.S. ECONOMIES

## FY2018 REVENUE WORK SESSION

- Payroll growth since beginning of 2010...
- U.S.: +11.9%
- Virginia: +9.3%
- Richmond MSA: +14.3%
- Central Virginia outpacing other major metros in the state

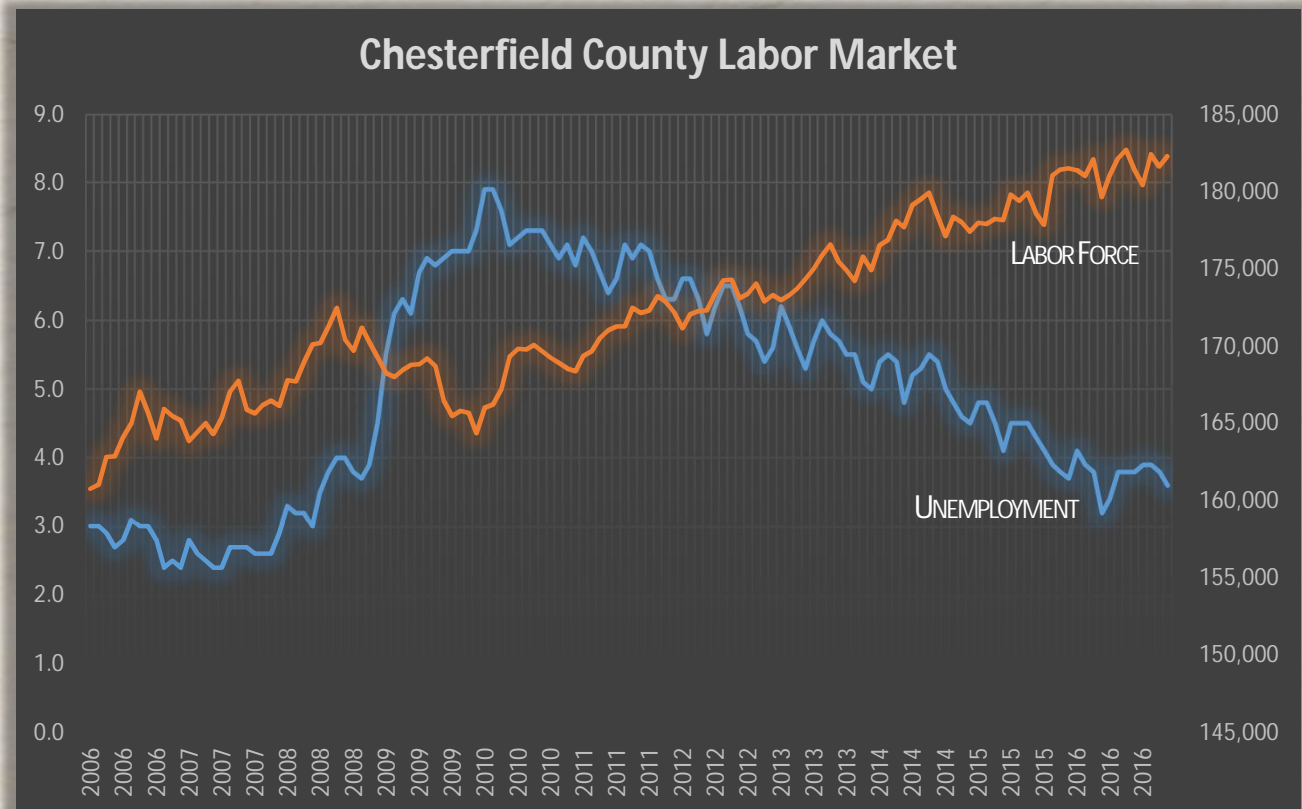


SOURCE: BUREAU OF LABOR STATISTICS

# LOCAL LABOR MARKET REMAINS STRONG

FY2018 REVENUE WORK SESSION

- Unemployment hovering under 4.0% since Feb 2016
- ...and, decreases not due to shrinking labor force
- Payroll growth at county firms +25.3% since 2010



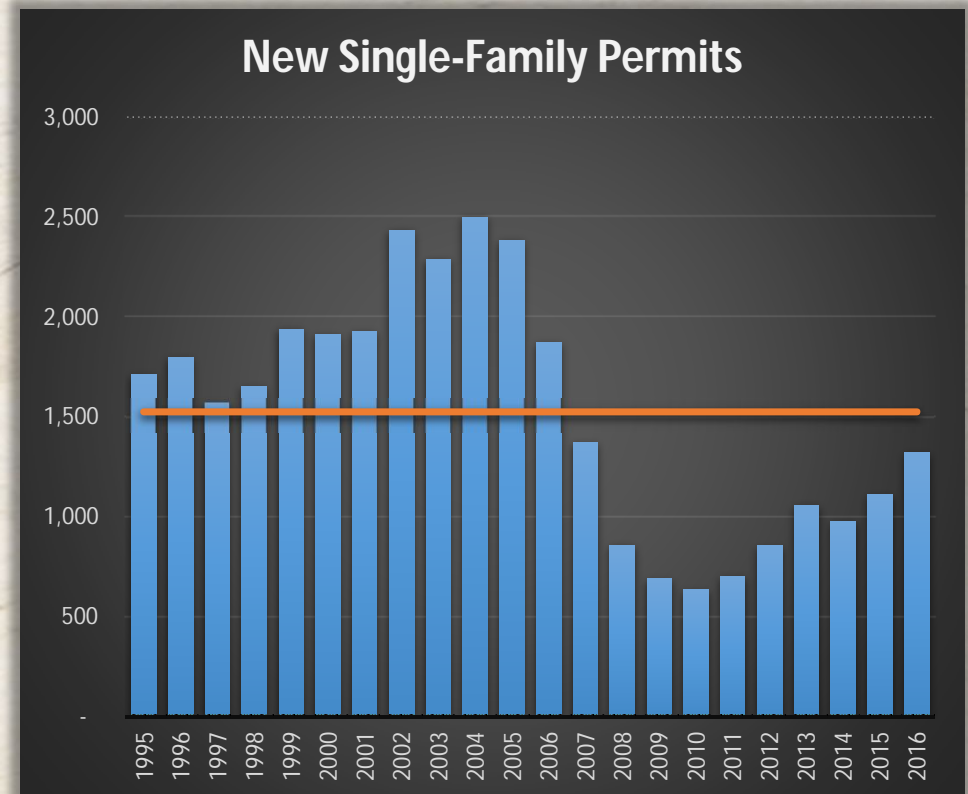
SOURCE: BUREAU OF LABOR STATISTICS



# HOUSING REBOUND CONTINUES

## FY2018 REVENUE WORK SESSION

- County housing market continued to strengthen in 2016, and there are early signs of further gains in 2017...
- Homes Sales: +13% (CY16)
- Days on the Market: -21% (CY16)
- List Price to Sales Price: 99.7% (CY16)
- 1-Family Permits: +19% (CY16)
- Pending Sales: +17% (Dec 16)
- Foreclosures largely a non-issue

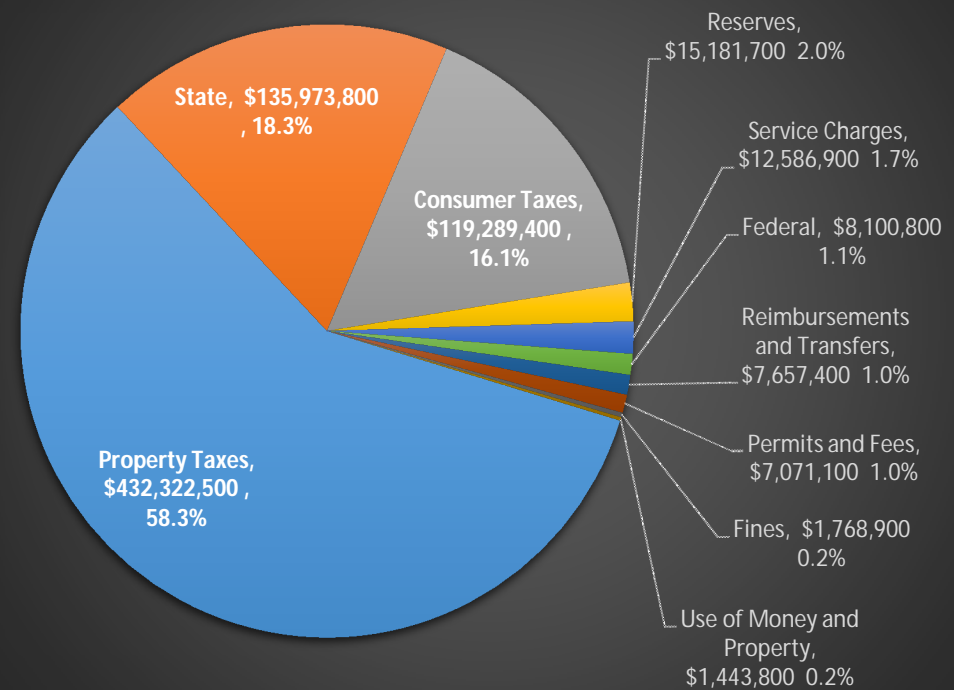


# GENERAL FUND REVENUE BREAKDOWN

## FY2018 REVENUE WORK SESSION

- Revenue mix dominated by three categories; 93% of overall total
- State category nearly 50% pass-through revenue for schools
- Federal contribution continues to drift lower; primarily pass-through payments in Social Services

FY2018 Proposed Revenue Breakdown

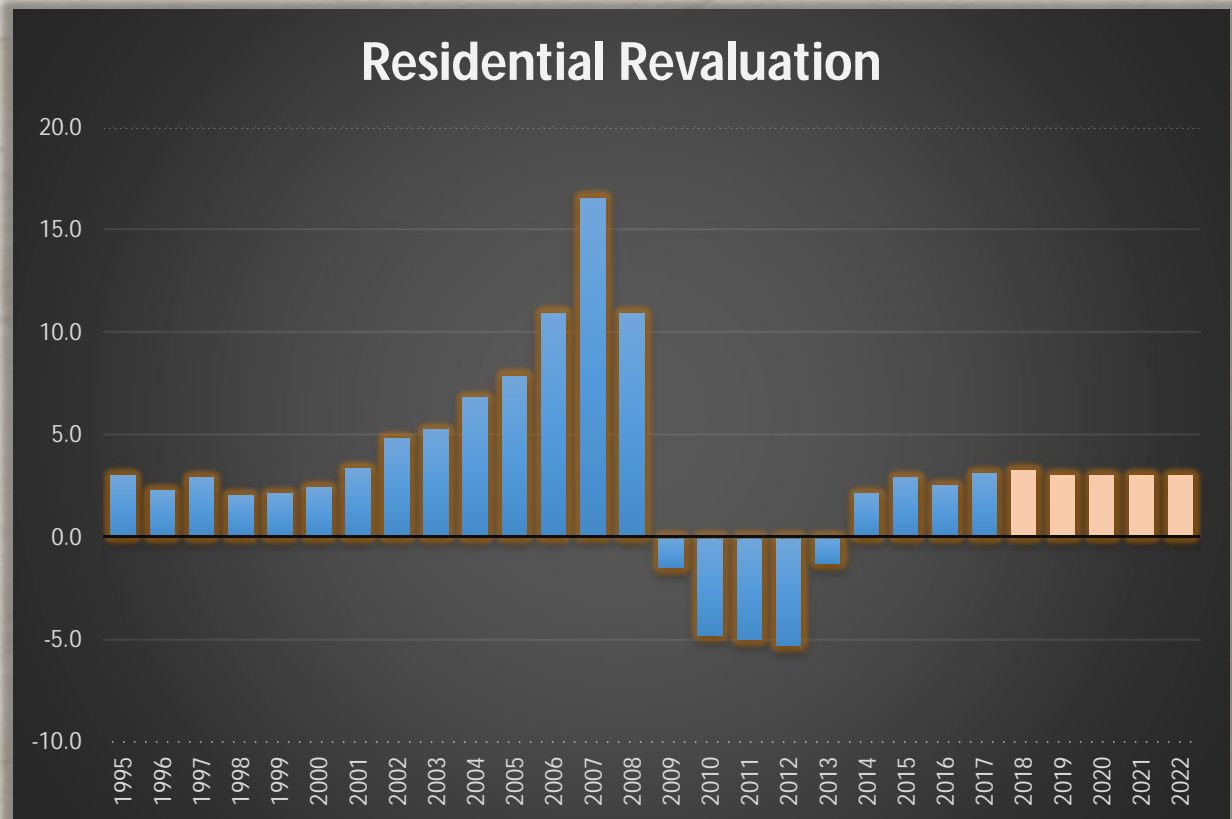




# RESIDENTIAL REVALUATION NORMALIZING

## FY2018 REVENUE WORK SESSION

- Existing residential properties +3% in 2016 (for 2017 assessments)
- 4<sup>th</sup> consecutive year of appreciation
- AVERAGE home close to pre-recession level
- Forecast looks for similar trend: 3.0-3.25%
- 2003-2013 average: +3.6%

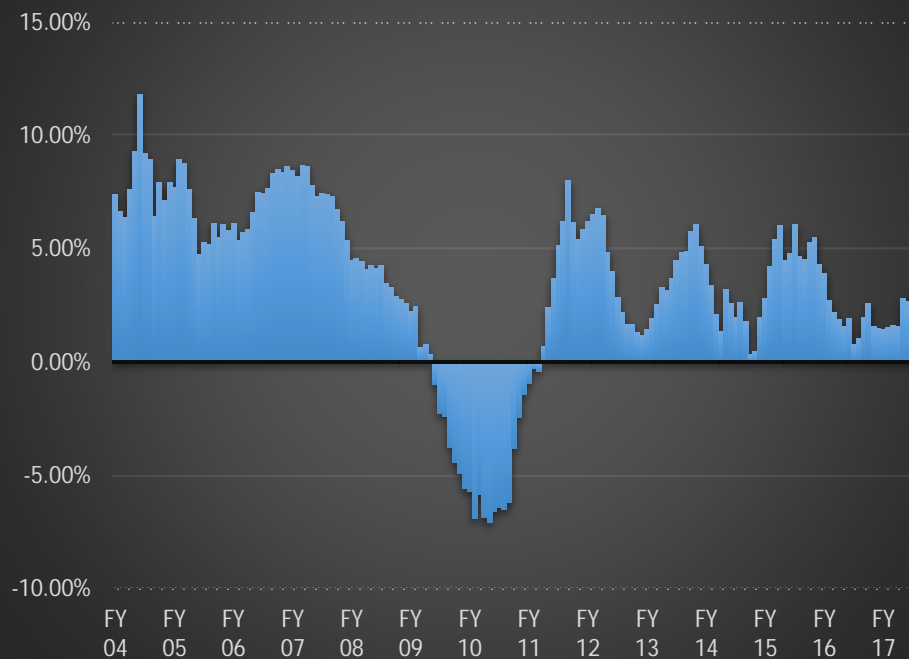


SOURCE: CHESTERFIELD COUNTY ASSESSOR'S OFFICE; FY18 AND BEYOND ARE PROJECTIONS

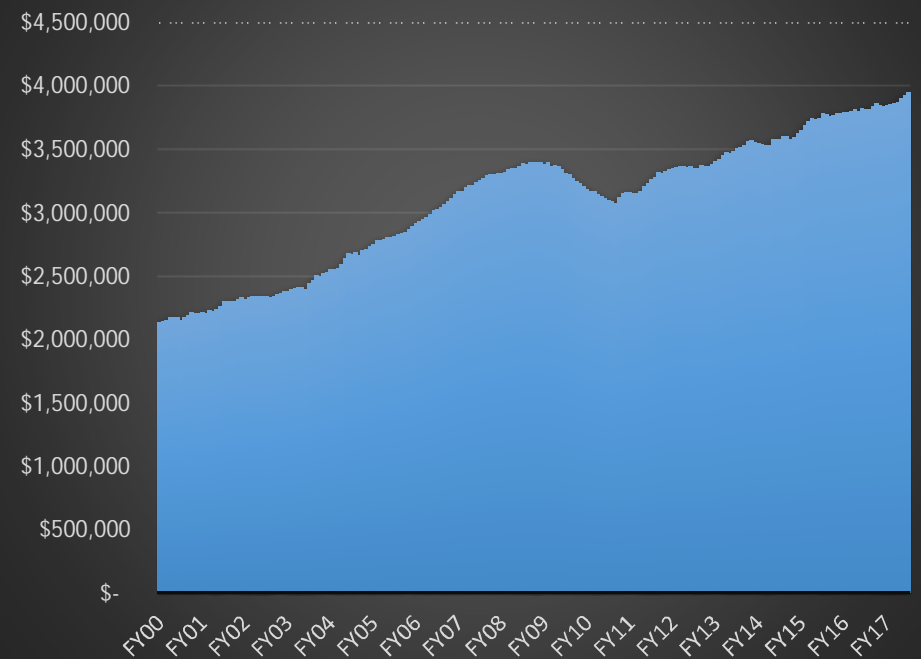
# CONSUMER SPENDING CHOPPY, BUT ON UPSWING

## FY2018 REVENUE WORK SESSION

**Chesterfield Sales Tax Growth**  
12-month Moving Average



**Chesterfield Sales Tax Monthly Totals**  
12-month Moving Average



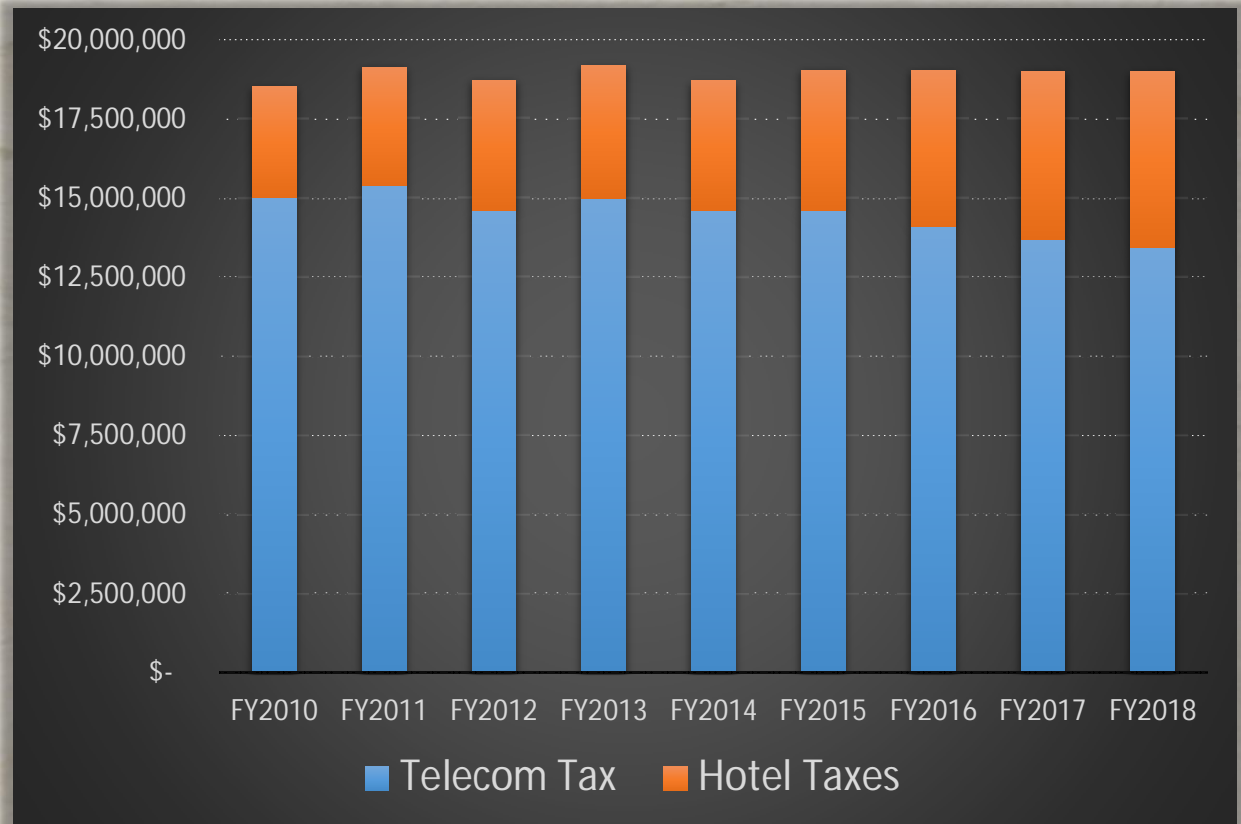
SOURCE: VIRGINIA DEPARTMENT OF TAXATION; WELDON COOPER



# CHANGING REVENUE MIX

## FY2018 REVENUE WORK SESSION

- In aggregate, consumer tax category growth has been generally subdued
- Though, considerable divergent trends among individual sources...
- Since FY2010:
  - Hotel receipts: +\$2.1M
  - Telecom: -\$1.6M



# CURRENT YEAR UPDATE

## FY2018 REVENUE WORK SESSION

- No significant movement on current year revenue forecast since discussion in fall (>1% on general fund revenues)
- Residential revaluation assumption on the mark
- Blueprint MONTHLY product available to provide regular economic updates
- [www.chesterfield.gov/Budget](http://www.chesterfield.gov/Budget)

JANUARY 2017

## Blueprint MONTHLY

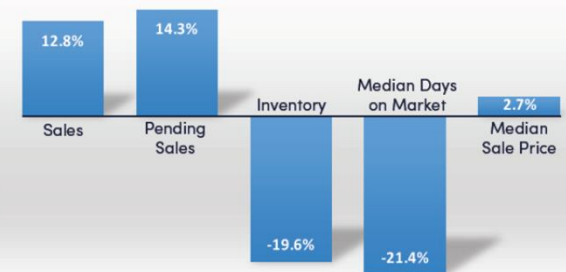
A monthly update of local economic and housing conditions.



- The latest set of readings indicate that Chesterfield's economy ended 2016 on the upswing.
- Labor market conditions remained strong and provided some lift to consumer spending with October retail sales growing more than 10 percent compared to the same period in 2015.
- Activity at local hotels also remained a bright spot.
- It was a similar story on the real estate front where sales and new construction posted double digit gains for the year.
- Looking ahead, strong pending sales and tight supply should help continue to push home values higher in 2017.

### 2016 Real Estate Market Snapshot

A quick summary showing how Chesterfield's real estate market performed in 2016 versus the previous year.



Source: Central Virginia Regional MLS

ECONOMIC PROFILE	INDICATOR	CURRENT READING	YEAR AGO <sup>(1)</sup>	TWO YEARS AGO <sup>(2)</sup>	YoY CHANGE <sup>(1)/(2)</sup>	YTD YoY CHANGE <sup>(1)</sup>
	Unemployment Rate (M)	3.8% (Nov-16)	3.8% (Nov-15)	4.6% (Nov-14)	0.0% pts, -0.8% pts	n/a
	Payroll Employment (Q)	135,160 (Q2-16)	131,161 (Q2-15)	125,691 (Q2-14)	3.0%, 7.5%	n/a
	Sales Tax (M)	\$4,009,414 (Oct -16)	\$3,615,467 (Oct -15)	\$3,775,726 (Oct -14)	10.9%, 6.2%	2.8%

# FY2018 GENERAL FUND REVENUE SUMMARY

## FY2018 REVENUE WORK SESSION

Revenue Category	FY18 Amount	Level Change*	% Change*
Property Taxes (net of CDAs)	\$427,684,600	\$15,398,200	3.7%
Consumer Taxes (net of CDAs)	\$118,545,200	\$1,309,300	1.1%
CDA Pass-through	\$5,382,100	\$1,807,000	50.5%
Permits and Fees	\$7,071,100	\$511,000	7.7%
Use of Money and Property	\$1,443,800	\$497,500	52.6%
All Other	\$166,087,800	\$2,685,400	1.6%
Use of Reserves (county and schools)	\$15,181,700	\$4,304,800	39.6%
General Fund	\$741,396,300	\$26,513,200	3.7%
General Fund (minus one-time, pass-through)	\$657,613,100	\$20,582,200	3.2%

\*ADJUSTS FOR TRANSFER OF MENTAL HEALTH REVENUES, TREATMENT OF CHARGES FOR SERVICES TO THE SCHOOL DIVISION AND FUND BALANCE. TABLE HAS BEEN RESTATED SINCE 2/22/17



# ASSOCIATED BOARD ACTIONS

## FY2018 REVENUE WORK SESSION



- 1) Tax Rates: requested to set the 'not to exceed' rates for tax year/calendar year 2017  
  
Staff recommendation is to advertise the existing tax rate structure (which has real estate at \$0.96)
- 2) Utility Rates: requested to advertise a new rate structure for FY2018, which would result in a 4.9% increase in the average bi-monthly bill; no increase proposed for connection fees
- 3) Set budget public hearings for March 29<sup>th</sup>

# COMMUNITY FEEDBACK SUMMARY

## FY2018 REVENUE WORK SESSION



- 7 community meetings; record attendance for this format, nearly 200 people
- Broader communication efforts
- Feedback reaffirmed Blueprint results, focusing on:
  - **Transportation:** overall safety, road improvements, sidewalks
  - **Education:** facilities, wellness initiatives, teacher recruitment/retention
  - **Public Safety:** recruitment/retention, facilities, body worn cameras
  - **Taking care of existing assets:** facilities, parks, community at-large, etc.



# REMAINING BUDGET SEASON CALENDAR

## FY2018 REVENUE WORK SESSION



- **March 15:** budget work session in the main admin building/Room 502 from 12-6 p.m.
- **March (post 3/15):** community budget workshops
- **March 29:** budget public hearings
- **April 26:** budget adoption
- Feedback/questions about the budget always welcome at [blueprint@chesterfield.gov](mailto:blueprint@chesterfield.gov)